

VZCZCXRO8026

PP RUEHDU RUEHMR RUEHPA RUEHRN RUEHTRO
DE RUEHDK #0825/01 1980825

ZNY SSSSS ZZH

P 151158Z JUL 08 ZDK (SEVERAL REQUESTS)

FM AMEMBASSY DAKAR

TO RUEHC/SECSTATE WASHDC PRIORITY 0817

INFO RUEHZO/AFRICAN UNION COLLECTIVE PRIORITY

RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

RHEFDIA/DIA WASHDC PRIORITY

RHMCSUU/FBI WASHINGTON DC PRIORITY

RHMFISS/HQ USAFRICOM STUTTGART GE PRIORITY

RHMFISS/HQ USEUCOM VAIHINGEN GE PRIORITY

RUEHLMC/MCC WASHDC PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

RUCNDT/USMISSION USUN NEW YORK PRIORITY 0401

S E C R E T SECTION 01 OF 03 DAKAR 000825

SIPDIS

STATE FOR AF/RSA, AF/EPS, AF/W

TREASURY FOR RHALL, DPETERS

STATE PLEASE PASS MCC

E.O. 12958: DECL: 07/15/2028

TAGS: PGOV PREL KCOR ECON KMCA SG

SUBJECT: AN INSIDER'S CRITICAL VIEW OF PRESIDENT WADE'S ADMINISTRATION AND KARIM WADE'S INFLUENCE

REF: A. DAKAR 778

1B. DAKAR 733

1C. DAKAR 713

1D. DAKAR 588

1E. DAKAR 432

1F. 07 DAKAR 1530

DAKAR 00000825 001.4 OF 003

Classified By: CHARGE D'AFFAIRES, A.I. JAY T. SMITH, FOR REASON 1.4 (B) AND (D).

11. (S) SUMMARY: During a June 28 lunch at a local restaurant with Econ Counselor, one of President Wade's Financial/Economic Advisors, Habib Mbaye, quietly offered a starkly negative view of Wade's policies and priorities, and also the corrupt influence of the President's son, Karim. Mbaye (strictly protect) is a true insider: an advisor to the President for many years and a childhood friend of Karim. His opinions are clearly designed to influence, but they tend to ring true. END SUMMARY.

KARIM'S PERVERSIVE INFLUENCE

12. (S) Habib Mbaye's official title is Minister-Counselor and Inspector of Grand Projects -- a reference to the infrastructure projects initiated by President Wade and under the control of Karim in preparation for the March Summit of the Organization of Islamic Conferences (OIC) Dakar Summit (Ref E). In Mbaye's opinion, ANOCI, the agency created to manage the infrastructure and events for the OIC Summit, is 100 percent under Karim Wade's control. According to Mbaye, the OIC construction was a disaster, financially, technically, and in terms of the government's credibility. Financially, the government committed huge amounts of money, and much of the financing promised by Kuwait and other countries have not yet been received. Because of ensuing budget and time constraints, the construction on the new Corniche road was poorly done, and the engineering of the much vaunted 295 meter Soubedioune tunnel is "a big risk." Mbaye said that since the OIC summit, Karim has mostly stayed out of the country to avoid being associated with the on-going questions about the construction and the government's priorities.

13. (S) As we have heard from other sources, Mbaye confirmed that the Finance Minister has had to use money earmarked for

health and education funding in order to fund the OIC effort and other pet projects initiated by Karim. In an earlier meeting, Mbaye confided that he wants to remove the term "Inspector" from his title because it makes the job impossible: he either does not do the job properly and leaves himself open to charges of incompetence and graft, or at some point he must criticize Karim and ANOCI and "be ruined politically, financially, and perhaps have his life threatened."

¶4. (S) According to Mbaye, Karim Wade is at the center of every major deal in the country, and will impose himself in deals if he is not involved initially. In Mbaye's narrative, Karim is a close friend of the King of Morocco, and it is through the King's personal introduction to dignitaries from the Gulf States that Karim has been able to negotiate huge investment deals and financial support for Senegal -- and greatly profit personally. Mbaye confirmed press reports that in April Karim brokered a deal with Dubai Ports World to build a 5-star resort on Goree Island, a UNESCO World Heritage site, knowing fully that such a development could undermine the UNESCO designation. The deal also reportedly gives control to DPW of two of Senegal's precious few nature reserves.

¶5. (S) Mbaye confirmed that the government planned to sell its 28 percent stake in the country's profitable telecommunications company, Sonatel, largely at Karim's urging. In a wrinkle on the motivation for this sale (Ref D), Mbaye claimed that Karim has a significant personal stake in Sudatel Senegal, the recently approved new phone and internet provider (Ref A) that is part of Sudan-based Sudatel. According to Mbaye, Karim is willing to "weaken" Sonatel in order to improve the chances for Sudatel's

DAKAR 00000825 002.4 OF 003

success.

¶6. (S) He credited Karim with brokering the deals that allowed Morocco-based Alfwadjiri bank to take over local banks CBAO and BST. Coincidentally, in a surprising decision, the new management of CBAO did not participate in one recent Senegal Treasury bond issuance, which was under-subscribed and a "failure" according to Mbaye. He's concerned that this indicates a lack of confidence in Senegal's public finances and could negatively impact Senegal's sovereign credit rating.

PRESIDENT WADE'S PETTINESS

¶7. (S) Mabaye often travels with President Wade. He expressed disappointment at the President's frequent and expensive travel, noting that it is costing the government "a lot." According to Mbaye, Wade is imposing himself as a mediator in many international conflicts (Sudan-Chad, Darfur, Zimbabwe, Kosovo, Israel-Palestine, and, he believes, U.S.-Iran) because "he really wants a Nobel Prize."

¶8. (S) In Mbaye's assessment, the Wades have "given away too much" to their contacts in Dubai. Mabaye claimed that even President Wade is now concerned that Jafza International's Special Economic Zone will hurt Senegal's tax structure and will bring little benefit to the local population.

¶9. (S) Mbaye views President Wade's response to the Assises Nationales (National Dialogue) ref C) as an "overreaction" and an example how the President continues to operate with an "opposition" mindset. He heard Wade complain about U.S. Embassy participation and give the directive to not cooperate with ODC/DAO planned military training.

¶10. (S) Mbaye reinforced the current rumors that Prime Minister Soumare will likely be out of a job soon. Mbaye claims that Wade might not replace Soumare and instead take further steps to "run the whole government himself" getting rid of the position of prime minister (without even bothering

to create the position of Vice President, as some have speculated), but with "the help of" the Minister of Interior.

In another window into Wade's approach to ruling, Mbaye claimed that Foreign Minister Gadio was "demoted" during the last ministerial reshuffle from number two to three (after the Prime Minister) on the Ministerial protocol list (surpassed by the Minister of Interior) because during the OIC summit Gadio complained to Wade that his role was being co-opted by Karim.

PROBLEMS LIKELY FOR SENEGAL'S MCC COMPACT PROPOSAL

¶11. (S) In 2006, Mbaye was the head of Senegal's agency designated to develop an USD 800 million MCC compact on the "Diamniadio Industrial Platform." In that role, he demonstrated little management skill, was likely pocketing GOS funds dedicated to the project, and was ultimately replaced by a Ministry of Finance technocrat, Sogue Diarissso.

Mbaye did, however, accurately inform us that the Diamniadio compact effort was soon to be undermined by Karim Wade's efforts to strike a side deal with Dubai's Jafza International to establish a similar project in the hopes of controlling MCC grant money. Mbaye also accurately predicted that the government's investment promotion agency, APIX (which is widely viewed as under Karim's influence through its Director, Aminata Niane), would not accept MCC's criteria for transparency and competitive bidding as a condition of its offer to contribute more than USD 300 million to complete a much-needed toll road (Ref F). Mbaye stated that "it was crazy" for the government to have turned down both the Diamniadio Platform and the Toll Road and that the only reason was that Karim and his cohorts were determined to enrich themselves.

¶12. (S) Mbaye said he was still bitter that Karim and company interfered with his efforts to conclude the Diamniadio Platform, which would have been "great" for the country. He is not convinced that the Jafza free trade zone will ever bring a similar level of benefit to the country.

DAKAR 00000825 003.4 OF 003

While Mbaye was complimentary of the current Senegalese team's efforts to conclude a compact, he remains pessimistic.

Mbaye stated that Senegal will never be able to finalize an MCC compact because those closest to the President, namely Karim, will not agree to have that much money enter the country in a manner they cannot personally access.

SENEGAL'S POOR PUBLIC FINANCES

¶13. (C) Senegal's budget situation is "really bad," according to Mbaye. Finance Minister Diop is doing a "bad job," but Wade can't fire him because Diop "knows too much," Mbaye said. In Mbaye's opinion the MinFin has handled the rising food and energy prices very poorly in part because he refused to buy futures contracts when the prices were lower and the CFA was relatively strong.

MBAYE "THE AMERICAN"

¶14. (S) Habib Mbaye, claims to have an MBA from Columbia University and like's to consider himself "the American" among Wade's advisors. He admitted to Econ Couns that he was being very "honest and open" about what's happening within Wade's inner circle. The reason for sharing this information, Mbaye stated, is so that the U.S. could help "influence" Wade towards better governance and to "help Senegal."

¶15. (C) Mbaye said he hopes to run for Mayor of the Fann/Point E area, but he first needs to get the O.K. from President Wade and Karim since they both have houses in that constituency. He added that running for any office in Senegal is very expensive because it is all about "paying off" people. He also stated his hope to be Minister of Finance or Budget "soon." When asked if he would settle for

being an Ambassador, Mbaye said that was "no good, because once you leave the country and the inner circle you can never get back in."

¶16. (S) At the same time, Mbaye appears somewhat concerned for his security. In a previous conversation, Mbaye suggested that Karim Wade, and perhaps even President Wade could be "very dangerous." Previously, Mbaye asked about what it takes to get a U.S. Passport, "because you never know when you might need to leave quickly." This time, he speculated that perhaps he should return to school in the U.S. and pursue a PhD. at a top university, and asked if Econ Couns could assist him in contacting the dean of the Harvard Business School.

COMMENT

¶17. (S) Mbaye's criticism of President and Karim Wade is unusual because he is the consummate "insider," who has become rich and influential at a young age because of his ties to the Wades. It also doesn't hurt that Mbaye is from a very rich, prominent family with close ties to the Mouride Muslim brotherhood leadership. His family has roots in the Mouride holy city, Touba although even his parents grew up in Dakar. Early in his career he was an account manager at Societe Generale (in Paris and Dakar), where he handled the accounts of the former Mouride Caliph General.

¶18. (S) We don't put corruption and political ambition past Mbaye as another possible motive for discrediting the Wades and even for his search for greater passport mobility. However, the tales he tells ring true to what we hear from other sources and should not be dismissed.

SMITH